



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Department of Defense Inspector General audit
Da: Thursday, March 27, 2003

Today the Defense Department Inspector General released a report showing that an auditing error will cause the transfer of 500 jobs from the federal government to the private sector and ultimately, the reduction of the number of those jobs by almost 50 percent within the next few years. The report is D-2003-056 "Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions (3/21/03)," available at <http://www.dodig.osd.mil/>.

Sen. Chuck Grassley, a long-time watchdog of Defense Department practices, made the following comment on today's audit.

"The audit report released today is a scathing indictment of the Inspector General's (IG) audit process. A failure of his audit staff to detect a \$31.8 million accounting error caused the loss of 500 federal jobs in Congressman Kucinich's district. That's a colossal error, indeed, but there is some good news. The IG appears to be facing the problem head-on. For starters, the audit report contains this disclaimer: 'Knowledgeable third parties may consider the independence of these auditors to be impaired.' With those words, the IG is raising serious questions about the integrity of the auditors who prepared the report. As the IG put it, this is 'shoddy internal audit work. It's an oversight failure.' I find the IG's self-criticism so encouraging and so refreshing. In the dark ages, before Mr. Joe Schmitz became IG, this problem would have been swept under the rug. It would have never seen the light of day. I guarantee it. By exposing this audit failure in such an open and honest way, the IG is taking a giant step forward. The next step is a top-to-bottom house-cleaning of his audit department. With the ineffective audit capability that exists today, the IG can't be a good watchdog of the taxpayers' money."